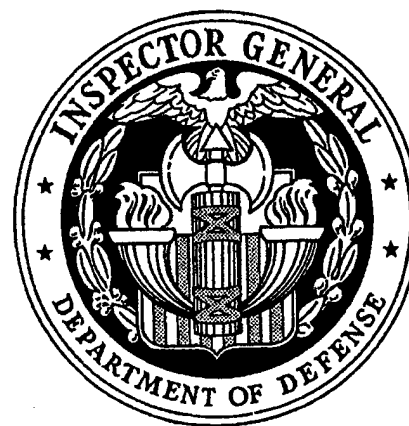


Audit Report



DOD PILOT PROGRAM FOR SHIPMENT OF PERSONAL
PROPERTY - MILITARY TRAFFIC MANAGEMENT COMMAND
REENGINEERING DOD PERSONAL PROPERTY PROGRAM PILOT

Report No. D-2000-147

June 12, 2000

Office of the Inspector General
Department of Defense

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Acronyms

BCCA	Billing and Customer/Contract Auditor
MTMC	Military Traffic Management Command
PPSO	Personal Property Shipping Office
PTOPS	Pilot Transportation Operational Personal Property Standard System
USTRANSCOM	U.S. Transportation Command



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
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June 12, 2000

MEMORANDUM FOR COMMANDER IN CHIEF, U.S. TRANSPORTATION
COMMAND
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on DoD Pilot Program for Shipment of Personal Property –
Military Traffic Management Command Reengineering DoD Personal
Property Program Pilot (Report No. D-2000-147)

We are providing this report for your information and use. We conducted the audit in response to a request from the U.S. Transportation Command.

Because this report contains no adverse findings or recommendations, no written comments were required, and none were received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Robert Murrell at (703) 604-9210 (DSN 664-9210) (rmurrell@dodig.osd.mil) or Mr. Albert Putnam at (703) 604-8779 (DSN 664-8779) (aputnam@dodig.osd.mil). See Appendix C for the report distribution. The audit team members are listed inside the back cover.

A handwritten signature in black ink, reading "Robert J. Lieberman", is positioned above the typed name.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. D-2000-147

June 12, 2000

(Project No. D2000LH-0038)

(Formerly Project No. 9LH-5023)

DoD Pilot Program for Shipment of Personal Property - Military Traffic Management Command Reengineering DoD Personal Property Program Pilot

Executive Summary

Introduction. This audit was requested by the U.S. Transportation Command. In response to Management Reform Memorandum No. 6, "Streamlining and Simplifying Member-Arranged Movement of Household Goods," June 4, 1997, DoD developed several pilot programs. The DoD personal property program is a \$1.2 billion program that the Military Traffic Management Command (MTMC) manages for the Services, DoD agencies, and the U.S. Coast Guard. MTMC is the single largest customer of the household goods moving industry, arranging approximately 650,000 shipments annually. This report is the first in a series of reports on the DoD pilot programs.

Objectives. The overall audit objectives were to evaluate the methodology and processes used by the Military Traffic Management Command (MTMC) to determine the baseline costs for the existing DoD Personal Property Program (the Baseline Program); the methodology and processes used to collect, evaluate, and report transportation and cost data for the MTMC Reengineering DoD Personal Property Program Pilot (the MTMC Program Pilot); and the methodology used by the U.S. Transportation Command to compare and evaluate the Baseline Program, the MTMC Program Pilot, the Army Full-Service Move Program, and the Navy Service Member-Arranged Movement Pilot Program. This report discusses the second objective as it relates to transportation and direct costs for the MTMC Program Pilot. Indirect costs for the MTMC Program Pilot are interrelated with the collection of indirect costs for the Baseline Program and, therefore, will be discussed along with the first objective in a subsequent report. The third objective related to the overall evaluation plan of the U.S. Transportation Command will also be discussed in a subsequent report.

Results. The methodology and processes used by MTMC to collect, evaluate, and report data on shipments of personal property under the MTMC Program Pilot were reasonable. MTMC developed the Pilot Transportation Operational Personal Property Standard System specifically to facilitate collecting and processing data to evaluate the efficiency and effectiveness of the MTMC Program Pilot. In addition, MTMC developed and implemented procedures to effectively monitor personal property shipment movements, carrier billings, carrier performance, and customer satisfaction. As a result, the data collected during the MTMC Program Pilot and reported to the U.S. Transportation Command for evaluation and comparison with other personal property program pilots should be complete and reliable. See the Finding section for details.

Management Comments. We provided a draft of this report on April 20, 2000. Because this report contains no adverse findings or recommendations, written comments were not required, and none were received. Therefore, we are publishing this report in final form.

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Background

This audit was requested by the U.S. Transportation Command (USTRANSCOM). This is the first in a series of reports involving DoD transportation management initiatives in regard to Management Reform Memorandum No. 6, "Streamlining and Simplifying Member-Arranged Movement of Household Goods," June 4, 1997.

DoD currently uses commercial transportation contractors (carriers) to provide movement and storage services of personal property for the Services, DoD agencies, and the U.S. Coast Guard.

Frequently, the process results in unsatisfactory service for military members and their families, causing increased levels of stress, frustration, and dissatisfaction with military life. In June 1994, USTRANSCOM, recognizing the poor quality of personal property movement and storage services that military members receive, tasked the Military Traffic Management Command (MTMC) to re-engineer the DoD personal property program. In the summer of 1996, a MTMC survey of 3,000 moves revealed that more than 60 percent of shipments suffered loss or damage.

Military Traffic Management Command. MTMC is a jointly staffed Army command and a component of USTRANSCOM. MTMC is the DoD surface traffic manager and the common-user single port manager for water terminals. MTMC accomplishes its mission by providing global traffic management, including the movement of personal property shipments for DoD-sponsored and U.S. Coast Guard personnel.

DoD Personal Property Program. DoD expends \$1.2 billion annually on its personal property program. MTMC manages the program for the Services, DoD agencies, and the U.S. Coast Guard. MTMC is the single largest customer of the household goods moving industry, arranging for approximately 650,000 shipments annually. The policies that MTMC implements govern the personal property movement and storage services for DoD and U.S. Coast Guard personnel and their families, and impact their quality of life.

Over the years, the DoD personal property program has undergone a number of isolated changes that have created a complex, rate-driven system. DoD uses more than 1,200 carriers to provide movement and storage services. Managing the use of so many carriers requires processes to qualify carriers, solicit rates, distribute traffic, evaluate carrier performance, pay bills, and settle claims. MTMC uses the Transportation Operational Personal Property Standard System to support the program. The Transportation Operational Personal Property Standard System is an automated transportation system with a distributed database architecture. Each Personal Property Shipping Office (PPSO) has its own separate database that is not accessible by other PPSOs. The Transportation Operational Personal Property Standard System Program Management Office has dial-in access to each individual PPSO database in order to provide software and hardware problem assistance, data reference table updates, and other activities as necessary. Shipment data is exchanged between PPSOs through a switcher at specified times during the night. Data may take

24 hours or more to move from one PPSO to another. However, the Transportation Operational Personal Property Standard System does not capture financial data or all performance data required to effectively monitor carrier performance or customer satisfaction.

Military Traffic Management Command Program Pilot. On January 11, 1999, MTMC began a pilot program to test a new acquisition process and operational concept for the procurement of personal property transportation services that incorporate commercial business practices and standards of service. Like commercial companies, MTMC awarded longer term contracts for the pilot program to 43 carriers that proposed the best service, not the lowest cost; MTMC monitored carrier performance through customer satisfaction surveys. The contracts were awarded for a 1-year base period, with two 1-year option periods. Services provided under the MTMC pilot program that military members and their families do not enjoy under the existing DoD program include better liability coverage, toll free telephone numbers for resolving customer problems and tracking shipments, and direct contact between carriers and military members for arranging shipments and resolving claims.

The MTMC program pilot consists of 50 percent of eligible traffic moving from the states of North Carolina, South Carolina, and Florida and destined to 13 continental U.S. regions and 5 European regions. The MTMC program pilot was to test approximately 18,500 shipments over a 12-month period, from January 11, 1999, through January 10, 2000. However, actual shipments were about 24 percent of the volume expected. MTMC was conducting an analysis to determine the reason for the decreased volume.

Objectives

The overall audit objectives were to evaluate the methodology and processes used by MTMC to determine the baseline costs for the existing DoD Personal Property Program (the Baseline Program); the methodology and processes used to collect, evaluate, and report transportation and cost data for the MTMC Reengineering DoD Personal Property Program Pilot (the MTMC Program Pilot); and the methodology used by USTRANSCOM to compare and evaluate the Baseline Program, the MTMC Program Pilot, the Army Full-Service Move Program, and the Navy Service-Member Arranged Movement Pilot Program. This report discusses the second objective as it relates to transportation and direct costs for the MTMC Program Pilot. Indirect costs for the MTMC Program Pilot are interrelated with the collection of indirect costs for the Baseline Program and, therefore, will be discussed along with the first objective in a subsequent report. The third objective related to the overall USTRANSCOM evaluation plan will also be discussed in a subsequent report. See Appendix A for a discussion of the audit scope and methodology and for prior coverage.

Methodology and Processes Used to Collect, Evaluate, and Report Data for the MTMC Program Pilot

The methodology and processes used by MTMC to collect, evaluate, and report transportation and direct cost data on shipments of personal property under the MTMC Program Pilot were reasonable. MTMC developed the Pilot Transportation Operational Personal Property Standard System (PTOPS) specifically to facilitate collecting and processing data to evaluate the efficiency and effectiveness of the MTMC Program Pilot. In addition, MTMC developed and implemented procedures to effectively monitor personal property shipment movements, carrier billings, carrier performance, and customer satisfaction. As a result, the data collected during the MTMC Program Pilot and reported to USTRANSCOM for evaluation and comparison with other personal property program pilots should be complete and reliable.

Data Collection

MTMC used PTOPS for collecting MTMC Program Pilot data. PTOPS is an interactive database designed specifically to collect and process transportation and direct cost data. PTOPS was designed using World Wide Web-based technology to support the movement of personal property by allowing direct online communications among the origin and destination PPSO personnel, carriers, and DoD transportation managers. In addition, PTOPS provides a standard method of recording information about customers, shipments, claims, and contracts. It also provides a mechanism to issue work orders to carriers and to monitor shipment pickup and delivery, storage-in-transit, carrier performance, and customer satisfaction. See Appendix B for a more detailed explanation of the overall MTMC Program Pilot concept of operations.

Data Evaluation

MTMC used a Billing and Customer/Contract Auditor (BCCA) to conduct prepayment audits of carrier invoices, to conduct customer satisfaction surveys, and to evaluate carrier performance.

Prepayment Invoice Investigation. For the MTMC Program Pilot, the BCCA systematically reviewed carrier invoices and required supporting documentation, and verified the accuracy of data in the PTOPS database before the certifying officer authorized payment. The BCCA routinely adjusted the carrier invoices when necessary, contacted the carriers in writing about disputed invoices, and reported the results to DoD transportation managers through PTOPS. From January 11, 1999, through January 10, 2000, the BCCA had audited 7,376 invoices, totaling about \$25 million. Those audits resulted in

approximately \$0.8 million in direct cost reductions. The 7,376 invoices do not equate to the number of shipments because some international shipments have more than one invoice and some carriers submit multiple partial-payment invoices for the same shipment.

Performance of Customer Satisfaction Surveys. The BCCA was required to survey customers within 60 days after shipment delivery and report results to MTMC. The BCCA begins the process of conducting customer satisfaction surveys when notified of shipment delivery through PTOPS. MTMC requires each carrier to enter information about delivered shipments into PTOPS within 24 hours of delivery. The customer survey begins with a telephone call from the BCCA. A minimum of three phone contacts are attempted for each survey. If all three attempts are unsuccessful, the performance survey is mailed to the delivery address. The attempts are recorded in PTOPS and marked as "pending." Ten days after the final call is made, PTOPS changes the status of the performance from "pending" to "unavailable." Periodically, the BCCA returns to surveys marked "unavailable" to attempt an additional phone contact. At the end of each month, the BCCA issues performance reports, via PTOPS, to MTMC. From January 11, 1999, through January 10, 2000, the BCCA completed 3,305 surveys, representing 76 percent of the 4,361 shipments during that period. Surveys on 217 of the shipments were pending and surveys on 839 shipments were not completed because the member was either not available or refused to participate.

Evaluation of Carriers' Performance. The BCCA also evaluated the carriers' performance while conducting customer satisfaction surveys. A carrier's performance was based on the following customer survey questions.

- Was your shipment picked up by the agreed-upon date?
- Was your shipment picked up by the agreed-upon time?
- Was your shipment delivered by the agreed-upon date?
- Was your shipment delivered by the agreed-upon time?
- Was there any loss or damage?
- Would you use this company again?

The BCCA issues a monthly customer survey summary cumulative report to MTMC that rates the carriers' level of performance. As of February 2000, MTMC had removed 3 carriers from the MTMC Program Pilot for poor performance, out of 41 carriers that began in January 1999.

Data Reporting

MTMC used PTOPS to report pilot data to DoD transportation managers. Once shipment, claims, and direct cost data has been entered into PTOPS and audited by the BCCA, MTMC can access the information and evaluate the effectiveness of the MTMC Pilot Program, initiate corrective actions against carriers with contract violations, and submit data to USTRANSCOM.

Conclusion

The methodology and processes used by MTMC to collect, evaluate, and report transportation and direct cost data for shipments moved under the MTMC Program Pilot were reasonable. We concluded that the data collected during the MTMC Program Pilot and reported to USTRANSCOM for evaluation and comparison with other personal property program pilots should be complete and reliable.

Appendix A. Audit Process

Scope and Methodology

We met with the BCCA to assess the methodology for auditing carrier invoices before payment, conducting customer satisfaction surveys, and evaluating the carriers' performance. We reviewed the BCCA contract statement of work and shipment documentation, such as pre-audited carrier invoices, audited carrier invoices, invoices with partial payments, electronic invoice records, statements of differences, customer survey summary reports, percent completion reports, and audit summary reports from January 11, 1999, through January 10, 2000. We also reviewed PTOPS to understand how the system works in connection with the collection, evaluation, and reporting of data under the MTMC Program Pilot. The audit scope was limited in that we did not review related management control programs.

DoD-Wide Corporate Level Government Performance and Results Act Coverage. In response to the Government Performance and Results Act, the Secretary of Defense annually establishes DoD-wide corporate level goals, subordinate performance goals, and performance measures. This report pertains to achievement of the following goal, subordinate performance goal, and performance measures:

FY 2000 DoD Corporate Level Goal 2: Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st century infrastructure. (00-DoD-2)
FY 2000 Subordinate Performance Goal (2.3): Streamline the DoD infrastructure by redesigning the Department's support structure and pursuing business practice reforms. (00-DoD-2) **FY 2000 Performance Measure 2.3.1:** Percentage of the DoD Budget Spent on Infrastructure. (00-DoD-2.3.1) **FY 2000 Performance Measure 2.4.8:** Qualitative Assessment of Defense Transportation. (00-DoD-2.4.8)

DoD Functional Area Reform Goals. Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following objectives and goals in the Logistics Functional Area:

- **Objective:** Streamline logistics infrastructure. **Goal:** Implement most successful business practices (resulting in reductions of minimally required inventory levels). (LOG-3.1)
- **Objective:** Streamline logistics infrastructure. **Goal:** Increase outsourcing. (LOG-3.2)

High-Risk Area. The General Accounting Office has identified several high-risk areas in DoD. This report provides coverage of the Military Personnel Management high-risk area.

Audit Type, Dates, and Standards. We performed this program audit from September 1999 through April 2000 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. We did not use computer-processed data for this audit.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD and DoD contractors. Further details are available on request.

Prior Coverage

The General Accounting Office has conducted multiple reviews related to the DoD pilot program for shipment of personal property. General Accounting Office reports can be accessed over the Internet at <http://www.gao.gov/>. Specific reports related to our audit are listed below.

General Accounting Office

General Accounting Office Report No. NSIAD-99-129 (OSD Case No. 1800), "The Army's Hunter Pilot Project is Inconclusive but Provides Lessons Learned," June 1999.

General Accounting Office Testimony Report No. T-NSIAD-99-106, "Defense Transportation Efforts to Improve DOD's Personal Property Program," March 18, 1999.

General Accounting Office Report No. NSIAD-98-99 (OSD Case No. 1556), "Defense Transportation - Status of U.S. Transportation Command Savings Initiatives," May 1998.

Appendix B. Concept of Operations

MTMC Personal Property Pilot Concept of Operations

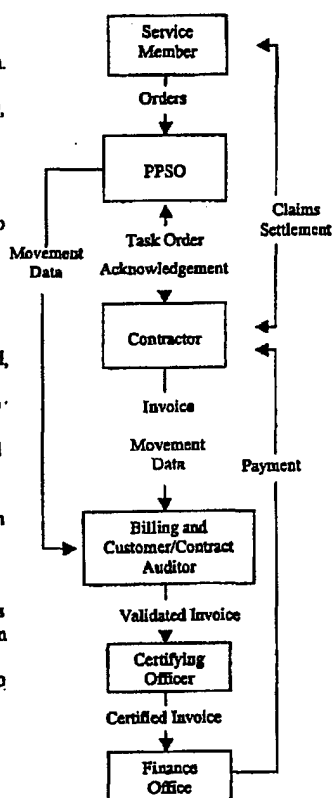
Military members provide their change-of-station orders to the responsible Personal Property Shipping Office (PPSO). After a shipment moves, the military member has 90 days to file a notice of claim for loss and/or damage. Claims filed prior to nine months after delivery receive full replacement protection.

PPSOs perform entitlement counseling and issue the DD1299, Application for Shipment. Shipments are offered to the contractors via PTOPS. PTOPS assigns shipments to contractors based on "round robin" distribution until a minimum guaranteed dollar amount is satisfied, then PPSOs distribute traffic based on performance. PPSOs are required to approve all additional services proposed by the contractors.

Contractors acknowledge shipment offers via PTOPS. Shipments must be accepted until the contractor's committed daily capacity (CDC) is met. Once the CDC is satisfied, a contractor may refuse shipments. After a shipment is accepted, the contractor is responsible for movement counseling with the member. The contractor is required to enter agreed pickup and delivery dates into PTOPS. The contractor is responsible for costs associated with inconvenience to the member caused by missing dates or unauthorized storage. Storage services no longer need to be cleared by the PPSO at destination. Claims filed with the contractor by the member must be settled within 60 days.

The BCCA is responsible for performing an investigative prepayment audit on the invoices submitted by the contractors and for administering customer surveys to the members within 60 days from delivery. Performance results are entered into PTOPS along with the electronic invoices. Data is available to the certifying officer via PTOPS.

The Certifying Officer is responsible for certifying the contractors' invoices prior to payment by the finance office. Data is available to the finance office via PTOPS. The appropriate finance office, DFAS or the U.S. Coast Guard payment office, pays contractors via electronic funds transfer according to the certified amount submitted by the Certifying Officer and provides payment information to PTOPS.



From the MTMC report to Congress, "Current DoD Demonstration to Improve the Quality of Personal Property Shipments of Armed Forces, Interim Progress Report," February 27, 1999.

Appendix C. Report Distribution

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Auditor General, Department of the Army
Commander, Military Traffic Management Command

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
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Unified Command

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House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Management, Information, and Technology,
Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International
Relations, Committee on Government Reform

Audit Team Members

The Readiness and Logistics Support Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report. Personnel of the Office of the Inspector General, DoD, who contributed to the report are listed below.

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